

Message

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Sent: 1/11/2017 4:29:51 PM
To: Grundler, Christopher [grundler.christopher@epa.gov]; Simon, Karl [Simon.Karl@epa.gov]
Subject: FW: Bloomberg: Detroit Wants Something From Trump in Exchange for Tweets (1)

From: william.craven@mbusa.com [mailto:william.craven@mbusa.com]
Sent: Wednesday, January 11, 2017 10:33 AM
To: Charmley, William <charmley.william@epa.gov>
Subject: FW: Bloomberg: Detroit Wants Something From Trump in Exchange for Tweets (1)

Note Dietmar's remarks. See you tomorrow.

Bloomberg: Detroit Wants Something From Trump in Exchange for Tweets (1)

This story is for research purposes only.

(Bloomberg) -- The way Bill Ford tells it, you'd think he and Donald Trump are like two old buddies chitchatting all the time about cars, economics and taxes.

"When needed, I can always get to him or he calls me," Ford, the chairman of Ford Motor Co., said in an interview Monday at the North American International Auto Show in Detroit. "I find that he's very accessible and very interested." To the average American, the Trump-versus-Detroit saga seems like an awfully one-sided affair, with the president-elect berating auto executives and pressuring them into scaling back plans to shift jobs from the U.S. to Mexico. But the comments from Bill Ford, the great-grandson of founder Henry Ford, provide a window into another crucial aspect of the relationship: In exchange for submitting to the public cajoling, industry bosses are trying to forge a close relationship with the Trump administration already and coax it into adopting much of their regulatory wish list.

It's a long list.

Here are some of the key elements that came up during day one of the auto show.

Fuel Economy

There's perhaps no bigger issue for the industry than fuel economy and emissions. Automakers are pushing for the Trump administration to allow them more latitude in meeting President Barack Obama's miles-per-gallon target of 50.8 mpg by 2025. The standard was 35.3 mpg last year. General Motors Co. North America President Alan Batey expressed concern the targets force companies to add expensive equipment he says "the customer won't pay for and, in many cases, doesn't even value." A longer timeline would relieve some of the pressure, he said.

The industry isn't necessarily urging lower fuel economy targets. Dietmar Exler, chief executive officer of Mercedes-Benz USA, said carmakers don't necessarily need lower fuel-economy and emissions standards, just more uniform ones. California sets its own standards while much of the the rest of the U.S. lacks mandates for zero-emission vehicles, which complicates planning and manufacturing, he said.

Taxes

Volvo Car Group is among carmakers lobbying for Trump cut the U.S. corporate tax rate, especially now that Volvo is substantially increasing its presence by opening a new factory in South Carolina next year. The current rate is 35 percent; Trump's campaign plan was for 15 percent.

"Being here as local citizens paying corporate taxes, of course, it's a drawback," CEO Hakan Samuelsson said. "The corporate tax system in the U.S. has to be competitive with other countries."

The payoff from combining tax cuts and deregulation will be stronger growth, Nissan Motor Co.'s Carlos Ghosn said. The chairman now sees an opportunity for sales to improve from a record 2016; two months ago, his co-CEO said the U.S. auto market had peaked.

Trade

It's no surprise global carmakers including BMW AG want Trump to maintain free trade, including with Mexico. But on this point, executives in Detroit aren't necessarily uniform in what they want from the administration.

The concept of border adjustability, in which corporate taxes are applied to all imports and eliminated

from exports, appeals to Ford's Mark Fields. As CEO of the top U.S. vehicle producer and a top exporter, such reform is "clearly one of the things that we would like to see," the CEO said.

BMW plans to open a new factory there in early 2019 to build its 3 Series sedan, which will be exported all over the world. The German automaker also is spending \$1 billion on a plant in South Carolina that's its largest worldwide and produces sport utility vehicles.

"The conditions for investment and for employment have worked very well for us, and we hope it stays that way," said Ian Robertson, head of global sales and marketing.

Volvo doesn't want any limitations on trade, Samuelsson said. "That's important for the U.S. economy. It cannot be a closed market."

Read more: Trump Stumps Car Builders in Age of SUV Boom

Infrastructure

Trump has pledged a spending binge that could total \$1 trillion on water systems, bridges, roads and other infrastructure. One part of his plan is particularly relevant to auto companies: incorporating new technology into the U.S. transportation system for next-generation vehicles, including self-driving cars.

"If we want to make autonomous driving a reality, said Fiat Chrysler Automobiles NV CEO Sergio Marchionne, roads will need "the right level of equipment."

This could include developing more precise mapping capability and artificial intelligence that understands sometimes erratic human behavior.

The Trump administration also could help by adopting regulations that apply to all 50 states for testing self-driving cars on open roads. Michigan already passed its own law.

"It would be much more difficult if countries and maybe individual areas, like cities, said 'This is what we want,'" Robertson said on Bloomberg Television. "Let's get some clear standards in place."

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